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If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in HNA Infrastructure Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or other transferees or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or the transferee.

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**海航基礎股份有限公司**  
**HNA Infrastructure Company Limited\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 357)**

**DISCLOSEABLE AND CONNECTED TRANSACTION —  
EQUITY TRANSFER AGREEMENT  
PROPOSED NON-PUBLIC ISSUANCE OF RENMINBI CORPORATE  
BONDS AND DEBT FINANCING INSTRUMENTS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and  
the Independent Shareholders**



A letter from the Board is set out on pages 4 to 18 of this circular.

The notice given by the Company on 13 November 2015 for convening the EGM to be held at 10:00 a.m. on Wednesday, 30 December 2015 at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, and in both cases in any event not later than 24 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

\* For identification purposes only

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## DEFINITIONS

*Unless the context requires otherwise, the following expressions shall have the following meanings in this circular:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Company”	HNA Infrastructure Company Limited* (海航基礎股份有限公司), a joint stock company incorporated in the PRC with limited liability on 28 December 2000
“connected person”	has the meaning ascribed to it under the Listing Rules
“Contribution Expiration Date”	30 September 2016, or any later date as agreed by the Company in writing
“CSRC”	China Securities Regulatory Commission* (中國證券監督管理委員會)
“Debt Financing Instruments”	the financing instruments to be issued by the Company to qualified investors in the national inter-banks debt market with an aggregate amount of not more than RMB1 billion (inclusive)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company on 30 December 2015, for the purposes of considering and, if thought fit, among other things, approving the Equity Transfer Agreement and the transaction contemplated thereunder, the proposed Non-public Issuance of Renminbi Corporate Bonds and the proposed Non-public Issuance of Debt Financing Instrument
“Equity Transfer Agreement”	the equity transfer agreement dated 13 November 2015 entered into between the Parent Company and the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Board Committee”	an independent board committee, comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. He Linji, established to advise the Independent Shareholders on the terms of the transaction under the Equity Transfer Agreement
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO to advise the Independent Board Committee and the Independent Shareholders on the terms of the transaction under the Equity Transfer Agreement
“Independent Shareholders”	Shareholders who are not involved or interested in the transaction contemplated under the Equity Transfer Agreement
“Industrial and Commercial Bureau of Hainan Province”	the Industrial and Commercial Administration Bureau of Hainan Province* (海南省工商行政管理局)
“Latest Practicable Date”	30 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Meilan Airport”	the civil airport known as Haikou Meilan International Airport* (海口美蘭國際機場) located in Haikou City, Hainan Province, the PRC
“Non-public Issuance of Debt Financing Instruments”	the non-public issuance of the Debt Financing Instruments in the PRC
“Non-public Issuance of Renminbi Corporate Bonds”	the non-public issuance of the Renminbi Corporate Bonds in the PRC
“Parent Company”	Haikou Meilan International Airport Co., Limited* (海口美蘭國際機場有限責任公司), a limited liability company established in the PRC and the controlling shareholder of the Company
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan)

## DEFINITIONS

“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Renminbi Corporate Bonds”	Renminbi corporate bonds to be issued by the Company to qualified investors with an aggregate principal amount of not more than RMB3 billion (inclusive)
“SAC”	The Securities Association of China* (中國證券業協會)
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hainan Meilan Airport Assets Management Co., Ltd.* (海南美蘭機場資產管理有限公司)
“%”	per cent.

*Unless otherwise specified in this circular, the English names of the PRC entities are transliteration of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

## LETTER FROM THE BOARD



### 海航基礎股份有限公司 HNA Infrastructure Company Limited\*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 357)

*Executive Directors:*

Wang Zhen (Chairman, Authorized Representative)  
Yang Xiaobin (President)  
Gao Jian (Vice Standing Executive)  
Zhang Peihua (Vice-president and Chief Financial Officer)

*Non-executive Directors:*

Hu Wentai (Vice-chairman)  
Chan Nap Kee, Joseph  
Yan Xiang

*Independent Non-executive Directors:*

Deng Tianlin  
Fung Ching, Simon  
George F. Meng  
He Linji

*Registered Office:*

Office Building of Meilan Airport  
Haikou City  
Hainan Province, the PRC

*Principal Place of Business*

*in Hong Kong:*  
Units 2606A-2608  
26th Floor Island Place Tower  
510 King's Road  
North Point  
Hong Kong

4 December 2015

To the Shareholders

Dear Sir/Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION — EQUITY TRANSFER AGREEMENT PROPOSED NON-PUBLIC ISSUANCE OF RENMINBI CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **A. INTRODUCTION**

Reference is made to the announcement of the Company dated 13 November 2015 in relation to the Equity Transfer Agreement, the proposed Non-public Issuance of Renminbi Corporate Bonds and the proposed Non-public Issuance of Debt Financing Instruments. The transaction contemplated under the Equity Transfer Agreement constitutes a discloseable transaction and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules.

\* For identification purposes only

## LETTER FROM THE BOARD

### B. THE EQUITY TRANSFER AGREEMENT

#### 1. Principal Terms and Conditions of the Equity Transfer Agreement

**Date:** 13 November 2015

**Parties:** the Parent Company as the transferor; and  
the Company as the transferee

**Subject matter:** The Parent Company agreed to transfer, and the Company agreed to acquire, 100% of the equity interests in the Target Company, subject to and upon the terms and conditions of the Equity Transfer Agreement.

As at the date of this circular, the Target Company is a wholly-owned subsidiary of the Parent Company.

Upon completion of the Equity Transfer Agreement, the Company will directly hold 100% of the equity interests in the Target Company and thus become the sole shareholder of the Target Company.

**Consideration:** RMB604,800,000, which was determined with reference to the valuation of the total assets of the Target Company to be contributed by the Parent Company as at 30 September 2015, being the base date of evaluation, conducted by Vigers Appraisal & Consulting Limited. For particulars of the total assets of the Target Company, which are to be contributed by the Parent Company to the Target Company, please refer to the below paragraph headed "Information relating to the assets to be contributed by the Parent Company".

## LETTER FROM THE BOARD

- Conditions of consideration:** The final payment of the consideration under the Equity Transfer Agreement is based on the assumption that the Parent Company can complete the capital contribution before Contribution Expiration Date (as defined below). If the Parent Company cannot perform the capital contribution obligations in accordance with the Equity Transfer Agreement, it shall refund the payment already made by the Company. For further details, please refer to the below paragraph headed "Other terms and conditions". As such, the Company may not be able to occupy and dispose all the assets of the Target Company, which will be contributed by the Parent Company to the Target Company, within a short time.
- Payment terms:** The consideration shall be paid by the Company in two installments as follows:
- (i) RMB574,560,000 (being 95% of the total consideration) shall be payable within 60 business days from the date of approval of the Equity Transfer Agreement and the transaction contemplated thereunder by the EGM; and
  - (ii) RMB30,240,000 (being 5% of the total consideration) shall be payable within 15 business days from the date of completion of the necessary industrial and commercial registrations and filings relating to the Equity Transfer Agreement and the transaction contemplated thereunder at the Industrial and Commercial Bureau of Hainan Province.
- Other terms and conditions:**
- (i) Both parties unanimously confirmed that based on the consideration of the Equity Transfer Agreement, although the Parent Company agreed to transfer 100% of the equity interests in the Target Company to the Company, the Parent Company shall at all events undertake and perform its capital contribution obligation of the registered capital of RMB500,000,000 to the Target Company;



## LETTER FROM THE BOARD

- (ii) Both parties unanimously agreed that in case that the Parent Company could not transfer all the contributed assets to the Target Company before 30 September 2016, or any later date as agreed by the Company in writing (the “**Contribution Expiration Date**”), the Equity Transfer Agreement shall be void. The Parent Company shall make a full refund of the transfer payment to the Company within 30 business days from the Contribution Expiration Date, and the Parent Company shall pay the interest calculated at benchmark lending rate for the same period to the Company from the date of payment of the consideration by the Company to the date of refunding the payment in full to the Company by the Parent Company. The Company shall return 100% of equity interests held in the Target Company to the Parent Company;
- (iii) Both parties unanimously agreed that in case that the Parent Company could not transfer part of the contributed assets to the Target Company before the Contribution Expiration Date, the Equity Transfer Agreement shall not be canceled. However, the Parent Company shall, within 30 business days from the Contribution Expiration Date, make a refund equal to the corresponding evaluation value of the non-contributed assets to the Company and such non-contributed assets will not be served as assets to be contributed by the Parent Company to the Target Company any more; and
- (iv) Both parties unanimously agreed that all profits and losses of the Target Company incurred during the period from the base date of evaluation, being 30 September 2015, to the date when Industrial and Commercial Bureau of Hainan Province approved the industrial and commercial registrations and filings under the Equity Transfer Agreement, shall be owned and undertaken by the Company.

## LETTER FROM THE BOARD

**Completion:** Completion of the Equity Transfer Agreement will take place upon the completion of the necessary industrial and commercial registrations and filings in relation to the equity interests transferred under the Equity Transfer Agreement at the Industrial and Commercial Bureau of Hainan Province.

### 2. Information relating to the assets to be contributed by the Parent Company

Particulars of the total assets of the Target Company, which are to be contributed by the Parent Company to the Target Company, are set forth as below:

No.	Name of Asset	Use of Asset	Area (m <sup>2</sup> )	Appraised Price <sup>(1)</sup> (RMB)
1.	Functional zone 4#	civil airport (airport entrance road)	186,385.27	121,700,000
2.	Building of duty room	civil airport	15,663.75	9,700,000
3.	Base area 1#	civil airport	161,315.83	92,400,000
4.	Functional zone 3#	civil airport (land use for west distant apron)	108,737.53	62,300,000
5.	Terminal zone 3#	civil airport (land use for east distant apron of the international terminal)	261,070.31	175,700,000
6.	Employee dormitory 1#	office	3,605.26	7,100,000
7.	Building of duty room 2#	office	4,728.80	12,900,000
8.	Building of duty room 3#	office	14,833.23	24,700,000
9.	Apron project of west distant parking	apron	200,900.00	98,300,000
			Total:	604,800,000

*Note:*

- (1) The appraised price was determined with reference to the valuation in relation to the Equity Transfer Agreement conducted by Vigers Appraisal & Consulting Limited as at 30 September 2015.

## LETTER FROM THE BOARD

### 3. Reasons for and Benefits of entering into the Equity Transfer Agreement

The Directors consider that the Equity Transfer Agreement will benefit the Company for the following reasons:

*To ensure the future right to earnings of advertisements on both sides of the airport entrance road*

The entrance road of Meilan Airport is one of the contributed assets of the Parent Company to the Target Company. Such entrance road is currently the only way connecting Meilan Airport and the urban area of Haikou City, and thus influences visitors' first impression of Meilan Airport. Currently, the ownership of the entrance road has been held by the Parent Company. In order to make good use of the management experience and business resources, the Company plan to acquire it to ensure the future right to earnings of advertisements on both sides of the airport entrance road. Besides, the entrance road is adjacent to the business area of terminal complex\* (站前綜合體) in Meilan Airport and thus such entrance road will have a broader business prospects with unique geographical location. Meanwhile, upon the commencement of operation of terminal complex in the future, advertisements on both sides of the entrance road will have more demands.

Therefore, clarification of the ownership of the entrance road of Meilan Airport and the rights to its earnings could strengthen the Company's management in the important area of Meilan Airport and improve the profitability of the Company in the future.

*To support the aeronautical business of Meilan Airport and to increase revenues of aeronautical business of the Company*

Haikou, capital of Hainan Province, is one of the outstanding tourism cities in the PRC. Along with the increasing development of the tourism industry in Hainan Province, its aeronautical business also grows rapidly. Such high-speed growth of business thus requires the concurrent development of the Company's infrastructure facilities, e.g. the construction and operation of more parking spaces for flights. The contributed assets to be owned by the Target Company include 12 flight parking positions in the apron project of west distant parking\* (西遠機位停機坪). Upon completion of the transaction contemplated under the Equity Transfer Agreement, the Company will then become owners of such 12 flight parking positions under the Equity Transfer Agreement.

## LETTER FROM THE BOARD

Therefore, the Company will be able to speed up the construction progress and ensure the construction quality of the apron project of west distant parking, reduce the operational pressure of Meilan Airport, earn operation profits by operating in advance and thus provide the Company with great benefits on its revenues growth of aeronautical business.

*To solve the shortage of duty rooms for overnight staff and to increase revenues of non-aeronautical business*

With the expansion of the Company's business, the amount of night flights is increasing rapidly, which in turn, requires more overnight staff to be on duty as well as more buildings of duty rooms to accommodate them. Meanwhile, upon commencement of operation of the West Gallery\* (西指廊) and the terminal complex, the business area of Meilan Airport will be further expanded and thus there will be more demands on office space.

Currently, there are three buildings of duty rooms near Meilan Airport, which are all contributed assets to be owned by the Target Company. Upon completion of the transaction contemplated under the Equity Transfer Agreement, the Company can operate and utilize the buildings of duty rooms at its own discretion and thus the Company will be able to strengthen the logistic support and improve the working conditions for its staff, obtain ownership of the buildings by a fair price, better manage such buildings and receive rentals of these buildings, and therefore increase the revenue of its non-aeronautical business.

The Directors (excluding the independent non-executive Directors who reserve their rights pending receipt of advice from the independent financial adviser) are satisfied that (i) the terms and conditions of the Equity Transfer Agreement have been negotiated on an arm's length basis and are on normal commercial terms; (ii) the transaction contemplated under the Equity Transfer Agreement will be conducted in the ordinary and usual course of business of the Company; and (iii) the terms of such transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Each of Mr. Wang Zhen, Mr. Hu Wentai, Mr. Yang Xiaobin, Mr. Gao Jian and Mr. Zhang Peihua is interested in the above transaction as they are delegates from the connected shareholder of the Company, and therefore had abstained from voting on the relevant resolution of the Board approving the same.

## LETTER FROM THE BOARD

#### 4. Listing Rules Implications

As one or more of the applicable percentage ratios for the transaction contemplated under the Equity Transfer Agreement are more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As the Parent Company, holding 50.19% shareholding interest of the Company, is the holding company of, and therefore a connected person of the Company under the Listing Rules, the transaction contemplated under the Equity Transfer Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Therefore, such transaction is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

An independent board committee, comprising four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. He Linji, who have no direct or indirect interest in the Equity Transfer Agreement and the transaction contemplated thereunder, has been established to advise the Independent Shareholders on the terms of such transaction. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and the transaction contemplated thereunder.

The Parent Company and its associates will abstain from voting on the resolution to approve the Equity Transfer Agreement and the transaction contemplated thereunder at the EGM.

## LETTER FROM THE BOARD

### C. PROPOSED NON-PUBLIC ISSUANCE OF RENMINBI CORPORATE BONDS AND DEBT FINANCING INSTRUMENTS

#### 1. Proposed Non-public Issuance of Renminbi Corporate Bonds

Particulars of the proposed Non-public Issuance of Renminbi Corporate Bonds are set forth below:

<b>Issue target:</b>	Not more than 200 qualified investors, scope of which shall be determined by the relevant regulations promulgated by the CSRC, the stock exchanges and the SAC.
<b>Aggregate principal amount:</b>	Not more than RMB3 billion (inclusive).
<b>Maturity:</b>	Not more than five years (inclusive); the varieties of the Renminbi Corporate Bonds shall be single maturity period, mixed maturity periods, guaranteed, non-guaranteed or mixture of guaranteed and non-guaranteed.
<b>Issue price:</b>	Par value of RMB100 of each corporate bond.
<b>Interest rate:</b>	The nominal rate and the method of payment of interest shall be negotiated between the main underwriter and the Company with reference to the market conditions.
<b>Use of proceeds:</b>	All the proceeds from the Non-public Issuance of Renminbi Corporate Bonds will be used by the Company to finance the construction of the terminal complex project and the Phase II expansion project of Meilan Airport* (美蘭機場二期擴建項目) and to repay the bank loans.
<b>Issue method:</b>	Non-public issuance.

## LETTER FROM THE BOARD

**Guarantee:** In the event that the Company expects to fail to repay any amounts of principal or interest of the Renminbi Corporate Bonds on schedule or when such amounts fall due, the Company shall at least take the following measures to guarantee the repayment, including but not limited to: (i) not to declare any profit distribution to the Shareholders; (ii) to postpone the implementation of capital expenditure projects such as material investment, merger or acquisition; (iii) to reduce or discontinue the payment of salaries and bonuses of Directors and members of senior management; and (iv) not to approve any transfer or secondment of the primarily responsible staff.

**Term of validity of resolution:** The Shareholders' resolutions in respect of the Non-public Issuance of Renminbi Corporate Bonds, if passed, shall be valid for 24 months from the date of approval by the Shareholders at the EGM.

### 2. Proposed Non-public Issuance of Debt Financing Instruments

Particulars of the proposed Non-public Issuance of Debt Financing Instruments are set forth below:

**Issue target:** Qualified investors in the national inter-banks debt market, excluding purchasers prohibited by laws and regulations.

**Size of issue:** Not more than RMB1 billion (inclusive).

**Maturity:** Not more than five years (inclusive).

**Interest rate:** The interest rate shall be negotiated between the main underwriter and the Company with reference to the debt market conditions in the national inter-banks and be ultimately determined through book building.

**Use of proceeds:** All the proceeds from the Non-public Issuance of Debt Financing Instruments will be used by the Company to finance the construction of the terminal complex project and the Phase II expansion project of Meilan Airport, to repay the bank loans and to supplement working capitals.

**Issue method:** Non-public issuance.

## LETTER FROM THE BOARD

**Term of validity of resolution:** The Shareholders' resolution in respect of the Non-public Issuance of Debt Financing Instruments, if passed, shall come into effect from the date of the approval by the Shareholders at the EGM and remains valid within the effective register and duration period of the Debt Financing Instruments.

### 3. Authorization to the Board

It shall be submitted to the Shareholders at the EGM to consider and, if thought fit, approve to authorize the Board and the authorized person of the Board to deal with (including but not limited to) the following matters in relation to the Non-public Issuance of Renmibi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments according to the applicable laws and regulations and the market conditions prevailing at the time of issuance:

- (i) to formulate, to the extent permitted by laws and regulations and according to the Company's specific circumstances and the market conditions, the specific terms and arrangements of the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments, and to make any changes and adjustments to such terms and arrangements, including but not limited to, size of specific issue, interest rate or the calculation method, timing of issue, offer tranche (if any), redemption and repurchase mechanism (if any), duration and method of repayment of the principal and the interests, placing arrangement and any other matters in relation to the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments;
- (ii) to make relevant adjustments to the relevant matters of the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments and to determine whether to proceed with the issuance with reference to the opinions from relevant regulatory authorities and the changes in policies and market conditions, provided that such adjustments and decision shall be within the scope of authorization of the general meeting and shall be subject to re-voting at a general meeting of the Company if otherwise required by the relevant laws and regulations and the articles of association of the Company;
- (iii) to deal with all relevant matters in relation to the issuance and listing of the Non-public Issuance of Renminbi Corporate Bonds and the register and issuance of the Non-public Issuance of Debt Financing Instruments; and
- (iv) to appoint relevant professional parties involved in the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments.



## LETTER FROM THE BOARD

The Board shall, under the condition of obtaining the above authorization from the Shareholders at the EGM, delegate such authorization to the chairman of the Board, to implement the above authorized issues relating to the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments on behalf of the Company pursuant to the authorization from the Shareholders at the EGM.

The above mentioned authorization, if granted, shall be valid from the date of approval of the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments by the Shareholders at the EGM to the date on which the above issues authorized to the Board to deal with are completed.

#### **4. Reasons for and Benefits of the Non-public Issuance of Renminbi Corporate Bonds and the Non-public Issuance of Debt Financing Instruments**

Upon issuing the proposed Renminbi Corporate Bonds and the proposed Debt Financing Instruments, it will help the Company to raise funds for projects construction, to repay of the bank loans and to improve the capital structure so as to strengthen the Company's risk resistance ability in the tighter capital market.

#### **D. INDEPENDENT SHAREHOLDERS' APPROVAL AND COMPLIANCE WITH THE LISTING RULES**

The Company will seek the approval of the Independent Shareholders at the EGM for the Equity Transfer Agreement and transaction contemplated thereunder. The Company will comply with Chapter 14 and Chapter 14A of the Listing Rules in respect of the transaction under the Equity Transfer Agreement.

#### **E. EGM**

Set out on pages EGM-1 to EGM-3 of this circular is the notice given by the Company on 13 November 2015 for convening the EGM to be held at 10:00 a.m. on 30 December 2015, Wednesday at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC. At the EGM, among other things, two special resolutions will be proposed to consider, and if thought fit, to approve the proposed Non-public Issuance of Renminbi Corporate Bonds and the proposed Non-public Issuance of Debt Financing Instruments, and an ordinary resolution will be proposed to consider, and if thought fit, to approve the Equity Transfer Agreement.

## LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. As at the Latest Practicable Date, the Parent Company, which holds 50.19% voting rights at a general meeting of the Company, has controls over the voting right in respect of its shares, and is interested in the transaction contemplated under the Equity Transfer Agreement. As such, the Parent Company will abstain from voting at the EGM for aforesaid resolution regarding the Equity Transfer Agreement pursuant to the Listing Rules. Other than the Parent Company, there is no other Shareholder who has a material interest in the transaction contemplated under the Equity Transfer Agreement. The poll results will be published on the websites of the Company and of the Stock Exchange following the EGM.

A form of proxy for use at the EGM is accompanied with this circular. Whether or not you are able to attend EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon, and in both cases in any event not later than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjourned meeting should you so desire.

The reply slip for the EGM is also enclosed with this circular. You are reminded to complete and sign the reply slip and return the signed reply slip to the office of the Secretary Office to the board of directors of the Company at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC no later than 10 December 2015 (Thursday) in accordance with the instructions printed thereon.

### **F. BOOK CLOSURE**

The Company's register of members will be closed from 30 November 2015 (Monday) to 30 December 2015 (Wednesday) (both days inclusive), during which time no transfer will be registered. In order to qualify for attending and voting at the EGM, shareholders must deliver their instruments of transfer, accompanied by the relevant share certificates and forms of transfer, to the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 27 November 2015 (Friday).

### **G. GENERAL INFORMATION**

The Company is principally engaged in the management and operation of aeronautical and non-aeronautical businesses at Meilan Airport in Hainan Province, the PRC.

The Parent Company is principally engaged in ancillary airport service business in the PRC. The Parent Company is a company established in the PRC, of which the single largest shareholder is Hainan Development Holdings Co., Ltd.\* (海南省發展控股有限公司), which is in turn wholly-owned by State-owned Assets Supervision and Administration Commission of Hainan Province\* (海南省政府國有資產監督管理委員會).

## LETTER FROM THE BOARD

The Target Company is principally engaged in asset management, investment management and property and real estate rental business in the PRC.

### H. RECOMMENDATIONS

The Board, including the Independent Board Committee, is of the opinion that the terms and conditions of the Equity Transfer Agreement are fair and reasonable so far as the Company is concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the Independent Board Committee) recommends that the Independent Shareholders vote in favour of the resolution set out in the notice of the EGM for approval of the Equity Transfer Agreement and the transaction contemplated thereunder.

The Directors also believe that the proposed Non-public Issuance of Renminbi Corporate Bonds and the proposed Non-public Issuance of Debt Financing Instruments are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favour of the proposed Non-public Issuance of Renminbi Corporate Bonds and the proposed Non-public Issuance of Debt Financing Instruments Issue as set out in the notice of EGM.

The Directors also believe that all the other resolutions proposed for consideration and approval by the Shareholders at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders vote in favour of all the resolutions to be proposed at the EGM as set out in the notice of EGM.

### I. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the Equity Transfer Agreement and the transaction contemplated thereunder, and the letter from the Independent Financial Adviser containing among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transaction contemplated thereunder, details of which are set out on pages 19 to 20 and pages 21 to 33 respectively of this circular. None of the members of the Independent Board Committee has any material interest relating to the Equity Transfer Agreement and the transaction contemplated thereunder.

**LETTER FROM THE BOARD**

Your attention is also drawn to the additional information set out in the appendices to this circular. A form of proxy and a copy of reply slip for use at the EGM are enclosed with this circular.

Yours faithfully,  
By order of the Board  
**HNA Infrastructure Company Limited\***  
**Wang Zhen**  
*Chairman*

Hainan Province, the PRC

\* *For identification purposes only*



海航基礎股份有限公司  
**HNA Infrastructure Company Limited\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 357)**

4 December 2015

*To the Shareholders*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION —  
EQUITY TRANSFER AGREEMENT**

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of the Equity Transfer Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval, details of which are set out in the letter from the Board in this circular to the Shareholders. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this circular.

First Shanghai has been appointed as the Independent Financial Adviser to advise us regarding the Equity Transfer Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval. We wish to draw your attention to the letter from First Shanghai which contains advice to us in relation to the Equity Transfer Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval, together with the principal factors and reasons taken into consideration in arriving at such advice. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to this circular.

\* *For identification purposes only*

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account the advice of, and the principal factors and reasons considered by First Shanghai in relation thereto as stated in its letter, we consider the terms and conditions of the Equity Transfer Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval, to be fair and reasonable so far as the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the Equity Transfer Agreement and the transaction contemplated thereunder that are subject to the Independent Shareholders' approval.

Yours faithfully,  
*Independent Board Committee*

**Deng Tianlin**  
*Independent  
non-executive  
director*

**Fung Ching, Simon**  
*Independent  
non-executive  
director*

**George F. Meng**  
*Independent  
non-executive  
director*

**He Linji**  
*Independent  
non-executive  
director*

## LETTER FROM FIRST SHANGHAI

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai dated 4 December 2015 setting out their opinion regarding the proposed acquisition of the 100% equity interest in Hainan Meilan Airport Assets Management Co., Ltd. (海南美蘭機場資產管理有限公司) (the “**Target Company**”) at a consideration of RMB604.8 million from the Parent Company (the “**Acquisition**”) for the purpose of inclusion in this circular.



19th Floor  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

4 December 2015

*To the Independent Board Committee and  
the Independent Shareholders*

HNA Infrastructure Company Limited  
Meilan Airport Complex  
Haikou City  
Hainan Province  
The PRC  
Postal Code: 571126

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION EQUITY TRANSFER AGREEMENT**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Acquisition pursuant to the Equity Transfer Agreement, details of which are set out in a circular dated 4 December 2015 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 13 November 2015, the Parent Company, as the transferor, and the Company, as the transferee, entered into the Equity Transfer Agreement, pursuant to which, the Parent Company agreed to transfer, and the Company agreed to acquire, the 100% of the equity interest Target Company at a consideration of RMB604.8 million.

## LETTER FROM FIRST SHANGHAI

As one or more of the applicable percentage ratios for the transaction contemplated under the Equity Transfer Agreement are more than 5% but less than 25%, such transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As the Parent Company, holding 50.19% shareholding interest of the Company, is the holding company of, and therefore a connected person of the Company under the Listing Rules, the transaction contemplated under the Equity Transfer Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Therefore, such transaction is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Such transaction will be subject to the approval of the Independent Shareholders taken on a poll at the EGM.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, the Company and its management (the "**Management**"). We have assumed that all statements, information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular.

We consider that we have (i) obtained all information and documents of the Company and the Parent Company relevant to an assessment of the fairness and reasonableness of the terms of the Acquisition; (ii) researched the relevant market and other conditions and trends relevant to the pricing of the Acquisition; (iii) reviewed the fairness, reasonableness and completeness of any assumptions relevant to the Acquisition; and (iv) reviewed the opinion and valuation relevant to the Acquisition provided by the expert, being an independent professional property valuer, Vigers Appraisal & Consulting Limited (the "**Valuer**"), including reviewing the terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report (the "**Valuation Report**"), opinion or statement). Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Acquisition, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and the Management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed and we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and



## LETTER FROM FIRST SHANGHAI

referred to in the Circular, or the reasonableness of the opinions and representations provided to us by the Company. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, while the omission of which would make any statement in the Circular misleading. We have relied on such information and opinions and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group and the Parent Company.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the four independent non-executive Directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. He Linji, has been established to consider the Acquisition and the transactions contemplated under the Equity Transfer Agreement, and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Acquisition and the transactions contemplated thereunder.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions under the Acquisition are conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of the Equity Transfer Agreement are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in relation to the ordinary resolution to be proposed at the EGM for approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial adviser by the Company for two occasions (i.e. mainly in relation to the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for the connected transactions involving (i) subscription of new domestic shares under specific mandate of the Company; and (ii) the very substantial acquisition in respect of the construction of new airport terminal buildings and their ancillary facilities for the Phase II expansion of the existing Meilan Airport) as detailed in the circulars of the Company dated 15 August 2014 and 7 October 2015, respectively. Given (a) our independent role in that previous engagements; (b) none of the members of our parent group is a direct party to the Equity Transfer Agreement; and (c) our fees for this present engagement in addition to the previous two engagements represented an insignificant percentage of revenue of our parent group, we consider that previous engagements would not affect our independence to form our opinion in respect of this discloseable and connected transaction to be contemplated under the Equity Transfer Agreement.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in relation to the Acquisition pursuant to the Equity Transfer Agreement, we have considered the following principal factors and reasons:

### **1. Background of the Company**

The Company is principally engaged in the management and operation of aeronautical and non-aeronautical businesses at the Meilan Airport in Hainan Province, the PRC.

The Company is the operator of the Meilan Airport, located in Haikou City, Hainan Province, the PRC since May 1999, which has been the main gateway to Hainan Province ever since. The airport has been experiencing a smooth operation and satisfactory growth in terms of aircraft movement, passenger throughput and cargo throughput since then.

### **2. Background of the Parent Company**

The Parent Company is a domestic company with limited liability established in the PRC and the controlling shareholder of the Company. The Parent Company is principally engaged in the ancillary airport service business in the PRC.

### **3. Principal Terms and Conditions of the Equity Transfer Agreement**

On 13 November 2015, the Parent Company, as the transferor, and the Company, as the transferee, entered into the Equity Transfer Agreement, pursuant to which, the Parent Company agreed to transfer, and the Company agreed to acquire, 100% of the equity interest in the Target Company at a consideration of RMB604.8 million, subject to and upon the terms and conditions of the Equity Transfer Agreement.

As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of the Parent Company. Upon completion of the Equity Transfer Agreement, the Company will directly hold 100% of the equity interests in the Target Company and thus become the sole shareholder of the Target Company.

#### *Consideration*

The consideration for the Acquisition pursuant to the Equity Transfer Agreement is RMB604.8 million, which has been determined with reference to the valuation of the total assets of the Target Company as at 30 September 2015, being the base date of evaluation, conducted by the Valuer.

Consideration of the Equity Transfer Agreement paid by the Company is conditional upon the fulfillment of the capital contribution obligation by the Parent Company to the Target Company. Transfer of the contributed assets from the Parent Company to the Target Company is subject to the formalities of ownership changes under the relevant governmental authorities, such as the land resources bureau and

## LETTER FROM FIRST SHANGHAI

the housing management bureau. Although the entire consideration is conditional upon the fulfillment of the capital contribution obligation by the Parent Company, the Company will make a certain portion of payment under the Equity Transfer Agreement before the Parent Company has duly performed its entire capital contribution obligation to the Target Company. However, according to the Equity Transfer Agreement, the Company has the right to obtain refund of its payment as well as interests incurred (as the case may be) from the Parent Company, if the capital contribution obligation, partly or entirely, has not been fulfilled by the Parent Company.

### *Valuation of the land sites and buildings under the Acquisition*

We have reviewed the Valuation Report and enquired into the Valuer on the methodology adopted and the basis and assumptions used in arriving at the valuation of market value as at 30 September 2015 as set out in the Appendix I to the Circular (the “**Valuation**”). In the course of our enquiry, we understand that the Valuer carried out a site inspection to the land site at Haikou City, Hainan Province, the PRC in October 2015 to research into the necessary information to determine the market value of these land sites under the Acquisition. The Valuer has advised that it has adopted the direct comparison and standard land price approaches for the Valuation by making reference to the standard land price in Haikou City, Hainan Province, the PRC; and the comparable land transaction evidences as available to it from the official public website in the locality. In respect of the buildings and structures erected onto the land sites under the Acquisition, the Valuer has adopted the depreciated replacement cost approach for the Valuation which takes into account the replacement costs therefor after deducting depreciation charges. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. Hence, the sum of the two results represents the market value of the properties as a whole. As confirmed by the Valuer, the direct comparison, standard land price as well as depreciated replacement cost approaches are commonly adopted for valuation of properties in Hong Kong and the PRC and is also consistent with the normal market practice. Further details of the bases and assumptions of the Valuation are included in the Valuation Report as contained in the Appendix I to the Circular.

During the course of our review on the Valuation Report and enquiry with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Valuation.

## LETTER FROM FIRST SHANGHAI

Since the Target Company has not yet commenced business operation since its establishment on 3 November 2015, comparison in terms of price-earnings ratio with other similar business is not practicable. As the Target Company's assets substantially consist of the land sites and building structures to be developed, we consider that it would be realistic and practical for us to consider the asset value held by the Target Company rather than to make reference to its past financial and operating performance. As such, the Valuation of RMB604.8 million is an appropriate valuation for the Target Company.

Since the consideration for the Acquisition is equivalent to the amount of Valuation at RMB604.8 million, we consider that the basis for determining the consideration is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

On such basis, we are of the view that the entering into of the Equity Transfer Agreement is for the benefit of the Group, in the interests of the Company and the Shareholders as a whole, and is fair and reasonable insofar as the Independent Shareholders are concerned.

### *Payment of the consideration*

The consideration shall be paid in two installments as follows:

- (i) RMB574,560,000 (being 95% of the total consideration) shall be payable within 60 business days from the date of approval of the Equity Transfer Agreement and the transaction contemplated thereunder by the EGM; and
- (ii) RMB30,240,000 (being 5% of the total consideration) shall be payable within 15 business days from the date of completion of the necessary industrial and commercial registrations and filings relating to the Equity Transfer Agreement and the transaction contemplated thereunder at the Industrial and Commercial Bureau of Hainan Province.

As can be seen from the payment terms above, the substantial part of the consideration will be payable after obtaining the approval of the Equity Transfer Agreement at the EGM, whilst the remaining balance will be settled within a reasonable period of time after completion of the necessary registrations and filings with the regulatory authority. In view of the above, we consider that the payment schedule is fair and reasonable.

Having considered the above factors, we are of the view that the consideration for the Acquisition (including its payment terms) is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM FIRST SHANGHAI

### *Other terms and conditions*

Other terms and conditions of the transaction are listed below:

- (i) Both parties unanimously confirmed that based on the consideration of the Equity Transfer Agreement, although the Parent Company agreed to transfer 100% of the equity interests in the Target Company to the Company, the Parent Company shall at all events undertake and perform its capital contribution obligation of the registered capital of RMB500,000,000 to the Target Company;
- (ii) Both parties unanimously agreed that in case that the Parent Company could not transfer all the contributed assets to the Target Company before 30 September 2016, or any later date as agreed by the Company in writing (the "**Contribution Expiration Date**"), the Equity Transfer Agreement shall be void. The Parent Company shall make a full refund of the transfer payment to the Company within 30 business days from the Contribution Expiration Date, and the Parent Company shall pay the interest calculated at benchmark lending rate for the same period to the Company from the date of payment of the consideration by the Company to the date of refunding the payment in full to the Company by the Parent Company. The Company shall return 100% of equity interests held in the Target Company to the Parent Company;
- (iii) Both parties unanimously agreed that in case that the Parent Company could not transfer part of the contributed assets to the Target Company before the Contribution Expiration Date, the Equity Transfer Agreement shall not be canceled. However, the Parent Company shall, within 30 business days from the Contribution Expiration Date, make a refund equal to the corresponding evaluation value of the non-contributed assets to the Company and such non-contributed assets will not be served as assets to be contributed by the Parent Company to the Target Company any more; and
- (iv) Both parties unanimously agreed that all profits and losses of the Target Company incurred during the period from the base date of evaluation, being 30 September 2015, to the date when Industrial and Commercial Bureau of Hainan Province approved the industrial and commercial registrations and filings under the Equity Transfer Agreement, shall be owned and undertaken by the Company.

We consider that the other terms and conditions above are fair and equitable between the both contracting parties to the Equity Transfer Agreement, and therefore not unusual in substance.

<b>LETTER FROM FIRST SHANGHAI</b>
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**Completion**

Completion of the Equity Transfer Agreement will take place upon the completion of the necessary industrial and commercial registrations and filings in relation to the equity interests transferred under the Equity Transfer Agreement at the Industrial and Commercial Bureau of Hainan Province.

The Target Company is principally engaged in asset management, investment management and property and real estate rental business in the PRC. Particulars of the total assets of the Target Company which are to be contributed by the Parent Company to the Target Company are set forth as below:

**4. Particulars of the assets to be held by the Target Company**

No.	Name of Assets	Use of Assets	Area occupied (m <sup>2</sup> )	Appraised price (RMB'000)
1.	Functional zone 4#	Civil airport (airport entrance road)	186,385.27	121,700
2.	Building of duty room	Civil airport	15,663.75	9,700
3.	Base area 1#	Civil airport	161,315.83	92,400
4.	Functional zone 3#	Civil airport (land use for west distant apron)	108,737.53	62,300
5.	Terminal zone 3#	Civil airport (land use for east distant apron of the international terminal)	261,070.31	175,700
6.	Employee dormitory 1#	Office	3,605.26	7,100
7.	Building of duty room 2#	Office	4,728.80	12,900
8.	Building of duty room 3#	Office	14,833.23	24,700
9.	Apron project of west distant parking	Apron	200,900.00	98,300
			Total:	604,800

*Note:* The appraised price was determined with reference to the valuation in relation to the Equity Transfer Agreement conducted by the Valuer as at 30 September 2015.

**5. Reasons for and benefits of entering into the Equity Transfer Agreement**

As mentioned in the “Letter from the Board” of the Circular, the Directors consider that the Equity Transfer Agreement will benefit the Company for the following reasons:

*To ensure the future right to earnings of advertisements on both sides of the airport entrance road*

The entrance road of Meilan Airport is one of the contributed assets of the Parent Company to the Target Company. Such entrance road is currently the only way that connecting Meilan Airport and the urban area of Haikou City, and thus influences visitors’ first impression of Meilan Airport. Currently, the ownership of the entrance road has been held by the Parent Company. In order to make good use of the management experience and business resources, the Company plans to acquire it to ensure the future right to earnings of advertisements on both sides of the airport entrance road. Besides, the entrance road is adjacent to the business area of terminal complex (站前綜合體) in Meilan Airport and thus such entrance road will have a broader business prospects with unique geographical location. Meanwhile, upon the commencement of the operation of terminal complex in the future, advertisements on both sides of the entrance road will have more demands.

Therefore, clarification of the ownership of the entrance road of Meilan Airport and the rights to its earnings could strengthen the Company’s management in the important area in Meilan Airport and improve the profitability of the Company in the future.

*To support the aeronautical business of Meilan Airport and to increase revenues of aeronautical business of the Company*

Haikou, capital of Hainan Province, is one of the outstanding tourism cities in the PRC. Along with the increasing development of the tourism industry in Hainan Province, its aeronautical business also grows rapidly. Such high-speed growth of business thus requires the concurrent development of the Company’s infrastructure facilities, e.g. the construction and operation of more parking positions for flights. The contributed assets to be owned by the Target Company include 12 flight parking positions in the apron project of west distant parking (西遠機位停機坪). Upon completion of the transaction contemplated under the Equity Transfer Agreement, the Company will then become owners of such 12 flight parking positions under the Equity Transfer Agreement.



## LETTER FROM FIRST SHANGHAI

Therefore, the Company will be able to speed up the construction progress and ensure the construction quality of the apron project of west distant parking, reduce the operational pressure of Meilan Airport, earn operation profits by operating in advance and thus provide the Company with great benefits on its revenues growth of aeronautical business.

*To solve the shortage of duty rooms for overnight staff and to increase revenues of non-aeronautical business*

With the expansion of the Company's business, the amount of night flights is increasing rapidly, which in turn, requires more overnight staff to be on duty as well as more buildings of duty rooms to accommodate them. Meanwhile, upon commencement of operation of the West Gallery (西指廊) and the terminal complex, the business area of Meilan Airport will be further expanded and thus there will be more demands on office space.

Currently, there are three buildings of duty rooms near Meilan Airport, which are all contributed assets to be owned by the Target Company. Upon completion of the transaction contemplated under the Equity Transfer Agreement, the Company can operate and utilize the buildings of duty rooms at its own discretion and thus the Company will be able to strengthen the logistic support and improve the working conditions for its staff, obtain ownership of the buildings by a fair price, better manage such buildings and receive rentals of these buildings, and therefore increase the revenue of its non-aeronautical business.

The Directors are satisfied that (i) the terms and conditions of the Equity Transfer Agreement have been negotiated on an arm's length basis and are on normal commercial terms; (ii) the transaction contemplated under the Equity Transfer Agreement will be conducted in the ordinary and usual course of business of the Company; and (iii) the terms of such transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Based on our independent research from the official websites of 中華人民共和國國家統計局 (The National Bureau of Statistics of China) and 中華人民共和國海南省人民政府 (The People's Government of Hainan Province, the PRC) (the "**Government of Hainan Province**"), according to the statistical information as extracted therefrom, Hainan Province had a population of approximately 9.0 million as at 31 December 2014 and had experienced a substantial economic growth in the past ten years. The real gross domestic products (the "**GDP**") growth rate of Hainan Province exceeded the average national growth rate for the past few years. Since Hainan became a province of the PRC in 1988, the economic structure has gradually evolved toward a healthy balance between primary, secondary and tertiary sectors comparing to a relatively heavy reliance on the agricultural industry before. In 2014, the GDP rose by 8.5% on a year-on-year basis to approximately RMB350.1 billion, which was higher than the national average growth rate of 7.0%. The GDP growth was mainly contributed by investment and consumption sectors. In the same year, Hainan Province's fixed-asset investment surged 13.2% on a year-on-year basis to approximately RMB304.0 billion, while its total retail sales increased by approximately 12.2% to approximately RMB109.1 billion.



According to the statistical information published by the Government of Hainan Province, tourism in Hainan Province has recorded rapid growth over the past five years, representing an average increase in terms of revenue and number of tourists of almost 10% per annum. In 2014, around 47.9 million tourists visited Hainan Province bringing in gross revenue of approximately RMB50.7 billion, which represented respective increases of approximately 10.6% in tourist number and 13.2% in gross revenue over those of the 2013. According to a statement of the State Council of the PRC, the PRC's central government aims to build the southern island of Hainan into a top international tourism destination by 2020; and plans to develop the only tropical island province (i.e. the Hainan Province) to be a platform for international economic cooperation and cultural exchanges. In view of the above, the Government of Hainan Province had anticipated that there would be about 47.6 million and 76.8 million tourists visiting Hainan Province and bringing in gross revenue of approximately RMB54.0 billion and RMB124.0 billion in 2015 and 2020 respectively, representing respective considerable increases from that of approximately 47.9 million tourists visiting Hainan Province with gross revenue of approximately RMB50.7 billion in 2014. Based on the above published statistical information on actual performance, the number of tourists visiting Hainan Province in 2014 of approximately 47.9 million had already exceeded the government's previous estimation of approximately 47.6 million for the year 2015.

Based on the above scenario, we concur with the Directors' view that the Acquisition will (i) seize development opportunities, further promote the throughput of the existing Meilan Airport to hit a new high and resolve the existing capacity constraints of the existing Meilan Airport; (ii) benefit the region's aviation industry by bringing in new opportunities; and (iii) enable the Group to better implement its strategy and planning in respect of the operation and development of the existing Meilan Airport in the future, and therefore potentially benefit and broaden the revenue source and earning base of the Group going forward. As such, Board considers the Acquisition is in the interests of the Company and the Shareholders as a whole.

In view of the above, we are of the view that the Acquisition is in line with the business development strategy of the Group, conducted in the ordinary and usual course of business of the Group by way of capital formation for enhancing its long-term operating capability, and in the interests of the Company and the Shareholders as a whole.

## **6. Possible financial effects of the Acquisition on the Group**

### *Earnings*

Upon the completion of the Acquisition, there is no immediate material impact on earnings of the Group, while the Directors expect that the Acquisition will enhance the operating capability of the existing Meilan Airport and business development of the Group, and then further contribute to its earnings base in the long run, but the quantification of such impact will depend on the future operating performance of the Group following completion of the Acquisition.

## LETTER FROM FIRST SHANGHAI

### *Working capital*

Based on the interim report of the Company for the six months ended 30 June 2015 (the “**Interim Report**”), the Group’s working capital (i.e. total current assets of approximately RMB1,843.8 million, less total current liabilities of approximately RMB784.4 million) and cash at banks and on hand as at 30 June 2015 amounted to approximately RMB1,059.4 million and RMB1,632.3 million respectively, representing a current ratio of approximately 2.35 times.

The consideration for the Acquisition will be financed by the internal resources of the Group, as such, we concur with the Directors’ view that there would not exert considerable pressure on the working capital of the Group.

Based on our review of the Company’s annual reports for the past two financial years up to 31 December 2014, we have noted that the Group had net cash inflows generated from its operating activities of approximately RMB447.7 million, RMB505.0 million and RMB419.9 million over the past three financial years respectively, which had demonstrated that the Group has strong capability to generate sufficient operating cash inflow to finance its operations. On such basis, we concur with the Directors’ confirmation that the Group would have sufficient cash resources to satisfy the financing needs for the Acquisition. As such, there would not be material adverse effect on the working capital position of the Group after completion of the Acquisition and in the coming few years. Further, upon the new airport facilities under the Acquisition commencing full-scale of operation, it would generate additional income stream and positive operating cash inflows, and hence, the Directors are optimistic about the working capital position of the Group in both short-term and longer-term future.

### *Net asset value*

According to the Interim Report, the unaudited net asset value of the Group was approximately RMB3,065.1 million as at 30 June 2015. It is currently expected that there will not be any significant impact of the net assets of the Group following the Acquisition, as the increase in the value of the non-current assets (i.e. the land sites and building and structures erected thereon) under the Acquisition will be offset by the decrease in cash at banks and on hand of the Group. There will also be no material impact on the income statement and reserves of the Group.

### *Gearing position*

As at 30 June 2015, the Group had interest-bearing borrowings and net asset value of approximately RMB2,281.5 million and RMB3,065.1 million respectively, and hence a relatively higher gearing ratio (which is calculated as total interest-bearing borrowings and corporate bonds divided by the net asset value of the Group) of approximately 74.4%. As the consideration for the Acquisition will be funded by the internal resources of the Group, its gearing position would not be deteriorated following completion of the Acquisition.

## LETTER FROM FIRST SHANGHAI

In light of the foregoing financial effects of the Acquisition on the earnings, working capital, net asset value and gearing position of the Group, we are of the view that the Acquisition would have no significant adverse impact on the Group's financial position, save and except for the reduction in cash resources, which are inevitable as the Group intends to finance the consideration by internal resources of the Group. Therefore, we are of the view that while the Group's cash resources would be reduced, the Acquisition is an effective utilisation of its cash resources which is aimed at positioning the Group for a better growth in the future which, in the long run, is expected to benefit the Company and the Shareholders as a whole.

### RECOMMENDATION

Having taken into account the above principal factors, in particular, (i) the long-term benefits of the Acquisition to the Group; (ii) the basis for determination of the consideration; and (iii) the financial effects of the Acquisition on the Group, and that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the Acquisition is conducted in the ordinary and usual course of business of the Group by way of capital formation for enhancing its long-term operating capability, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition and the transactions contemplated under, or in connection with, the Equity Transfer Agreement at the EGM.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**  
**Fanny Lee**                      **Nicholas Cheng**  
*Managing Director*                      *Director*

*Note:* Ms. Fanny Lee and Mr. Nicholas Cheng have been the Responsible Officers of Type 6 (advising on corporate finance) regulated activity under the SFO and have many years of experience in corporate finance industry. Both of them have been participating in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

Vigers Appraisal & Consulting Limited  
International Assets Appraisal Consultants

10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



4 December 2015

The Directors  
HNA Infrastructure Company Limited  
Office Building of Meilan Airport  
Haikou City  
Hainan Province  
the PRC

Dear Sirs,

In accordance with the instructions of HNA Infrastructure Company Limited (the “**Company**”) for us to value the property interest held by 海口美蘭國際機場有限責任公司 (Haikou Meilan International Airport Co., Ltd.) (“**Haikou Meilan**”), which will then be transferred to 海南美蘭機場資產管理有限公司 (Hainan Meilan Airport Assets Management Co., Ltd.) in the People’s Republic of China (“**the PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 30 September 2015 (“**date of valuation**”) for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property interest, we have adopted a combination of the direct comparison and standard land price approaches and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Haikou City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost

of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the “**PRC legal opinion**”) provided by the Company’s PRC legal adviser, Beijing Junhe (Haikou) Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB).

We enclose herewith a valuation certificate.

Yours faithfully,  
For and on behalf of  
**Vigers Appraisal & Consulting Limited**  
**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor (GP)*  
MRICS MHKIS MSc(e-com)  
China Real Estate Appraiser  
*Managing Director*

*Note:* Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty seven years' experiences in undertaking valuations of properties in Hong Kong and has over twenty years' experiences in valuations of properties in the PRC.

## VALUATION CERTIFICATE

## Property interest to be acquired by the Company in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2015
The land located within Haikou Meilan International Airport, Lingshan Town, Meilan District, Haikou City, Hainan Province, the PRC	The property comprises 5 parcels of land (Lot Nos.: 03-13-10-536, 03-13-10-537, 03-13-10-540, 03-13-10-549 and 03-13-10-550) with a total site area of approximately 733,172.69 sq.m. and a block of 6-storey building (namely Dormitory No. 1) with a gross floor area of approximately 3,605.26 sq.m. and a block of 7-storey building (namely Duty Building No. 2) with a gross floor area of approximately 4,728.80 sq.m. erected thereon completed in 2004 and 2013 respectively and a block of 9-storey building (namely Duty Building No. 3) with a gross floor area of approximately 14,833.23 sq.m. and an airport apron being under construction and scheduled to be completed in December 2015.  The property is held with the land use rights for a term expiring on 25 April 2069 for civil airport use.	The property is occupied by Haikou Meilan for civil airport and ancillary facilities uses.	RMB468,900,000  (See Note 6 below)

## Notes:

1. According to 5 State-owned Land Use Rights Certificates, the land use rights of the property having a total site area of approximately 733,172.69 sq.m. have been granted to Haikou Meilan for civil airport use. Details are summarized as follows:

No.	Lot No.	State-owned Land Use Rights Certificate No.	Use	Site Area (sq.m.)	Date of Term Expiry
1	03-13-10-536	Haikou City Guo Yong (2005) No. 001253	Civil airport	108,737.53	25 April 2069
2	03-13-10-537	Haikou City Guo Yong (2005) No. 001242	Civil airport	186,385.27	25 April 2069
3	03-13-10-540	Haikou City Guo Yong (2005) No. 001254	Civil airport	15,663.75	25 April 2069
4	03-13-10-549	Haikou City Guo Yong (2005) No. 001258	Civil airport	161,315.83	25 April 2069
5	03-13-10-550	Haikou City Guo Yong (2005) No. 001261	Civil airport	261,070.31	25 April 2069
			Total:	733,172.69	

2. According to a Building Ownership Certificate (Document No.: Haikou City Fang Quan Zheng Hai Fang Zi No. HK247968), the building ownership right of the Dormitory No. 1 with a gross floor area of approximately 3,605.26 sq.m. is owned by Haikou Meilan.

3. According to a Planning Permit for Construction Works (Document No.: Jian Zi No. 460100201200007) issued by Haikou City Planning Bureau on 10 January 2012, the construction works of the Duty Building No. 2 is in compliance with the urban construction requirements and are approved.
4. According to a Permit for Commencement of Construction Works (Document No.: 46100201206210101) issued by Haikou City Housing and Urban-Rural Development Bureau on 21 June 2012, the construction works of the Duty Building No. 2 is in compliance with the requirements for works commencement and are approved.
5. According to a Planning Permit for Construction Works (Document No.: Jian Zi No. 460100201400055) issued by Haikou City Planning Bureau on 9 May 2014, the construction works of the Duty Building No. 3 with a gross floor area of approximately 14,833.23 sq.m. is in compliance with the urban construction requirements and are approved.
6. In the valuation of the property, we have attributed no commercial value to the Duty Building No. 2 and No. 3 and the airport apron which have not obtained the building ownership certificates. For reference purposes, we are of the opinion that the depreciated replacement cost of these buildings and structures as at the valuation date would be RMB135,900,000 assuming relevant title ownership certificates have been obtained and they could be freely transferred.
7. According to the Company, the construction cost to complete the Duty Building No. 3 and the airport apron is estimated to be approximately RMB106,080,000.
8. The capital value when completed of the Duty Building No. 3 and the airport apron is approximately RMB229,100,000.
9. The PRC legal opinion states, inter alia, the following:
  - (i) Haikou Meilan has obtained the land use rights of the property and is legally entitled to transfer, mortgage or adopt other legal means to handle the land use rights of the property during the land use term as recorded in the State-owned Land Use Rights Certificate.
  - (ii) Haikou Meilan has obtained the building ownership right of the Dormitory No. 1 with a gross floor area of approximately 3,605.26 sq.m. and is legally entitled to occupy, use, lease and dispose of this building.
  - (iii) Haikou Meilan has not obtained the building ownership right of the Duty Building No. 2 with a gross floor area of approximately 4,728.80 sq.m. but has obtained the Planning Permit for Construction Works and Permit for Commencement of Construction Works to construct this building. As confirmed by Haikou Meilan, Haikou Meilan will apply for the building ownership certificate. When Haikou Meilan obtains the building ownership certificate of this building, Haikou Meilan is legally entitled to occupy, use, lease and dispose of this building.
  - (iv) Haikou Meilan has obtained the Planning Permit for Construction Works of the Duty Building No. 3 with a gross floor area of approximately 14,833.23 sq.m. but has not obtained the other relevant construction permits, including Planning Permit for Construction Land and Permit for Commencement of Construction Works, to construct this building, which has violated the relevant PRC laws. Haikou Meilan may subject to administrative punishment by the relevant government departments. As confirmed by Haikou Meilan, Haikou Meilan will rectify such deficiencies by applying for the relevant construction permits and will apply for the building ownership certificate. After getting the relevant construction permits and completing all relevant completion and acceptance inspection procedures, there is no legal impediment for Haikou Meilan to obtain the building ownership certificate. When Haikou Meilan obtains the building ownership certificate of this building, Haikou Meilan is legally entitled to occupy, use, lease and dispose of this building.



10. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:
- |       |   |               |
|-------|---|---------------|
| (i)   | State-owned Land Use Rights Certificate       | Yes           |
| (ii)  | Building Ownership Certificate                | Yes (Portion) |
| (iii) | Planning Permit for Construction Land         | No            |
| (iv)  | Planning Permit for Construction Works        | Yes (Portion) |
| (v)   | Permit for Commencement of Construction Works | Yes (Portion) |
11. The property was inspected by Ms. Xu Xiao Yun, China Real Estate Appraiser, on 9 October 2015.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### **Director's interest and short position**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules; or would be required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO.

As at the Latest Practicable Date, none of the Directors and their respective associates (as defined in Listing Rules) had any interest in a business, which competes or may compete with the businesses of the Company or any other conflict of interests which any such person has or may have with the Company.

As at the Latest Practicable Date, none of the Directors had any material interest, directly or indirectly, in any asset which, since 31 December 2014, being the date to which the latest audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors had or proposed to have a service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

No contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest and which is significant to the Group's business, whether directly or indirectly, subsisted at the date of this circular.

Save as disclosed above, as at the Latest Practicable Date, no director or proposed director was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### Substantial Shareholders' Interests in Shares

As at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executive of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

### Domestic shares

Name of Shareholder	Identity	Type of shares	Number of ordinary shares	Percentage of domestic shares issued	Percentage of total issued share capital
Haikou Meilan International Airport Company Limited ( <i>Note 1</i> )	Beneficial owner	Corporate	237,500,000 (L)	96.43%	50.19%

### H shares

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Zhang Gaobo ( <i>Note 2</i> )	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Zhang Zhiping ( <i>Note 2</i> )	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Oriental Patron Financial Services Group Limited (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Financial Group Limited (Note 2)	Interest of controlled corporations	94,343,000 (L)	41.58%	19.94%
Oriental Patron Resources Investment Limited (Note 2)	Beneficial owner	94,343,000 (L)	41.58%	19.94%
UBS AG (Note 3)	Beneficial owner, security interests in shares and interests of controlled corporations	27,174,400 (L)	11.98%	5.74%
	Beneficial owner	15,000 (S)	0.01%	0.00%
UBS Group AG (Note 4)	Security interest in shares and interest of controlled corporations	27,174,400 (L)	11.98%	5.74%
	Interest of controlled corporations	15,000 (S)	0.01%	0.00%
ARC Capital Holdings Limited (Note 5)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
ARC Capital Partners Limited (Note 5)	Investment manager	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Asia Opportunity Fund L.P. (Note 5)	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%

Name of Shareholders	Type of interest	Number of ordinary shares	Percentage of H shares issued	Percentage of total issued share capital
Pacific Alliance Equity Partners Limited ( <i>Note 5</i> )	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Group Asset Management Limited ( <i>Note 5</i> )	Investment manager	32,788,500 (L)	14.45%	6.93%
PAG Holdings Limited ( <i>Note 5</i> )	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Group Limited ( <i>Note 5</i> )	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Pacific Alliance Investment Management Limited ( <i>Note 5</i> )	Interest of controlled corporations	32,788,500 (L)	14.45%	6.93%
Walden Ventures Limited ( <i>Note 5</i> )	Beneficial owner	32,788,500 (L)	14.45%	6.93%
Deutsche Bank Aktiengesellschaft ( <i>Note 6</i> )	Beneficial owner and security shares interest in	18,164,508(L)	8.01%	3.84%
Greenwoods Asset Management Limited ( <i>Note 7</i> )	Investment manager	13,844,000 (L)	6.10%	2.93%
JPMorgan Chase & Co. ( <i>Note 8</i> )	Beneficial owner and custodian corporation/ approved lending agent	13,607,488 (L)	5.99%	2.88%
Svenska Handelsbanken AB Publ. ( <i>Note 9</i> )	Investment manager	11,387,747 (L)	5.02%	2.41%

*Notes:*

1. Haikou Meilan International Airport Company Limited is a company established in the PRC and is the controlling shareholder of the Company.
2. Zhang Gaobo and Zhang Zhiping held 49% and 51% interest in Oriental Patron Financial Group Limited, respectively. Oriental Patron Financial Group Limited held 95% interest in Oriental Patron Financial Services Group Limited. Oriental Patron Resources Investment Limited was wholly-owned by Oriental Patron Financial Services Group Limited.
3. Among the 27,174,400 shares in the Company, UBS AG was deemed to hold 8,896,000 shares through its security interest in those shares and held 15,000 shares as beneficial owner. UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Singapore) Ltd and UBS Global Asset Management (Hong Kong) Limited were all wholly-owned by UBS AG, and were beneficially holding 14,194,100 shares, 2,164,300 shares and 1,905,000 shares in the Company, respectively.
4. UBS Group AG held 98.02% equity interest in UBS AG. For further details, please refer to Note 3 above.
5. PAG Holdings Limited held 99.17% interest in Pacific Alliance Group Limited, which in turn held 90% interest in Pacific Alliance Investment Management Limited. Pacific Alliance Investment Management Limited held 52.53% interest in Pacific Alliance Equity Partners Limited. Pacific Alliance Equity Partners Limited held 100% interest in ARC Capital Partners Limited. ARC Capital Partners Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. ARC Capital Holdings Limited is a corporation controlled by ARC Capital Partners Limited for the purpose of Part XV of the SFO. ARC Capital Holdings Limited was holding 46.67% interest in Walden Ventures Limited which in turn held 32,788,500 H shares of the Company in its capacity as a beneficial owner. Pacific Alliance Investment Management Limited held 100% interest in Pacific Alliance Group Asset Management Limited. Pacific Alliance Group Asset Management Limited was deemed to be interested in 32,788,500 shares in its capacity as investment manager. Pacific Alliance Asia Opportunity Fund L.P. is a corporation controlled by Pacific Alliance Group Asset Management Limited for the purpose of Part XV of the SFO. Pacific Alliance Asia Opportunity Fund L.P. held 36.67% interest in Walden Ventures Limited which was in turn held 32,788,500 H shares of the Company.
6. Among the 15,934,508 shares in the Company, Deutsche Bank Aktiengesellschaft was deemed to hold 15,931,000 shares as person having a security interest in shares and held 3,508 shares as beneficial owner.
7. Greenwoods Asset Management Limited was wholly owned by Greenwoods Asset Management Holdings Limited, which in turn was held 81% by Jiang Jinzhi. Greenwoods Asset Management Limited holds 13,844,000 in the capacity of investment manager.
8. Among the 13,607,488 shares in the Company, JPMorgan Chase & Co. was deemed to hold 12,963,588 shares as custodian corporation/approved lending agent and held 643,900 shares as beneficial owner.
9. Svenska Handelsbanken AB Publ. held 11,387,747 shares in the Company by virtue of its capacity as investment manager.
10. (L) and (S) represent long position and short position respectively.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the

Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital; or would be required to be recorded in the register to be kept by the Company under section 336 of the SFO.

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### 4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, the date to which the latest audited financial statements of the Group were made up.

### 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

### 6. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given opinion or advice, which are contained in this circular:

Name	Qualifications
First Shanghai	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Vigers Appraisal & Consulting Limited ("Vigers")	Professional surveyors and valuers
Beijing Junhe (Haikou) Law Firm ("Junhe")	the PRC legal adviser to the Company

Each of First Shanghai, Vigers and Junhe has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/report and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of First Shanghai, Vigers and Junhe was not beneficially interested in the share capital of any member of the Group nor did it had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it had any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Xing Zhoujin. Mr. Xing Zhoujin, aged 49, an economist, has engaged in corporate governance of listed companies for years and participated in relevant trainings provided by securities regulatory authorities at home and abroad.
- (b) The registered address of the Company is at Office Building of Meilan Airport, Haikou City, Hainan Province, the PRC.
- (c) The Hong Kong Branch Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular and form of proxy shall prevail over the Chinese text.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of Units 2606A-2608, 26th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Articles of Association;
- (b) the Equity Transfer Agreement;
- (c) the letter from the Board, the text of which is set out on pages 4 to 18 of this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders;
- (e) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders;
- (f) the annual reports of the Company for each of the three financial years ended 31 December 2012, 2013 and 2014;



- (g) the property valuation report from Vigers, the text of which is set out in Appendix I to this circular;
- (h) the PRC legal opinion issued by Junhe, the PRC legal adviser to the Company;
- (i) the written consents referred to in the paragraph headed “Experts and Consent” in this Appendix;
- (j) the service contracts of the Directors; and
- (k) this circular.

# NOTICE OF THE EXTRAORDINARY GENERAL MEETING



## 海航基礎股份有限公司 HNA Infrastructure Company Limited\*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 357)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of HNA Infrastructure Company Limited (the "Company") will be held at 10:00 a.m. on 30 December 2015 (Wednesday) at the meeting room of the Company on 3rd Floor, Office Building of Meilan Airport, Haikou City, Hainan Province, the People's Republic of China (the "PRC") for the purpose of considering and, if thought fit, passing the following resolutions:

### BY WAY OF ORDINARY RESOLUTIONS

1. To consider and approve the equity transfer agreement (the "**Equity Transfer Agreement**") dated 13 November 2015 (Friday) entered into between the Company and Haikou Meilan International Airport Company Limited and the connected transaction (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) contemplated thereunder; and
2. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting.

### BY WAY OF SPECIAL RESOLUTIONS

3. To consider and approve the proposed non-public issuance of Renminbi corporate bonds with an aggregate principal amount of not more than RMB3 billion in the PRC (the "**Non-public Issuance of Renminbi Corporate Bonds**");
4. To consider and approve the proposed non-public issuance of the debt financing instruments with an aggregate amount of not more than RMB1 billion in the PRC (the "**Non-public Issuance of Debt Financing Instruments**"); and

\* For identification purposes only

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

5. To consider and approve the proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the shares carrying right to vote at such meeting.

By the order of the Board  
**HNA Infrastructure Company Limited\***  
**Wang Zhen**  
*Chairman*

Hainan, the PRC, 13 November 2015

*As at the date of this notice, the Board comprises of (i) four executive directors, namely Mr. Wang Zhen, Mr. Yang Xiaobin, Mr. Gao Jian and Mr. Zhang Peihua; (ii) three non-executive directors, namely Mr. Hu Wentai, Mr. Chan Nap Kee, Joseph and Mr. Yan Xiang; and (iii) four independent non-executive directors, namely Mr. Deng Tianlin, Mr. Fung Ching, Simon, Mr. George F. Meng and Mr. He Linji.*

*Notes:*

- (A) A circular containing, among other things, details relating to the Equity Transfer Agreement and the transaction contemplated thereunder, the proposed Non-public Issuance of Renminbi Corporate Bonds and the proposed Non-public Issuance of Debt Financing Instruments, will be despatched to the shareholders of the Company as soon as possible.
- (B) The Company's register of members will be closed from Monday, 30 November 2015 to Wednesday, 30 December 2015 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, shareholders must deliver their transfer documents, accompanied by the relevant share certificates and forms of transfer, to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, located at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 27 November 2015.
- (C) Holders of the overseas listed foreign shares (in the form of H shares) of the Company whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited at the close of business on Friday, 27 November 2015 are entitled to attend and vote at the EGM after complying with the necessary registration procedures.
- (D) Holders of H shares and domestic shares of the Company, who intend to attend the EGM, must complete and return the reply slips for attending the EGM to the Secretary Office to the Board not later than 20 days before the date of the EGM, i.e. no later than 10 December 2015 (Thursday). Holders of H shares and domestic shares of the Company can deliver the reply slips by hand, by post or by facsimile.

Details of the Secretary Office to the Board are as follows:

Office Building of Meilan Airport  
Haikou City  
Hainan Province  
PRC  
Tel: (86-898) 6576 2009  
Fax: (86-898) 6576 2010

\* For identification purposes only

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (E) Each holder of H shares who has the right to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll.
- (F) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. The instrument appointing a proxy of any holder of H shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its Board or by its authorized attorney. To be valid, the form of proxy, and if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the Company's H shares share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (G) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder of the Company or not, to attend and vote on his behalf at the EGM. Notes (E) and (F) also apply to holders of domestic shares of the Company, except that the proxy form or other documents of authority must be delivered to Secretary Office to the Board, the address of which is set out in Note (D) above, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
- (H) If a proxy attends the EGM on behalf of a shareholder, he should produce his ID card and the instrument signed by the proxy or his authorized representative, which specifies the date of its issuance. If the legal representative of the holder of legal person share(s) attends the EGM, such legal representative should produce his ID card and valid documents evidencing his capacity as such legal representative. If a holder of legal person share(s) appoints a representative of a company other than its legal representative to attend the EGM, such representative should produce his ID card and an authorization instrument affixed with the seal of the holder of the legal person shares and duly signed by its legal representative.
- (I) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.
- (J) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM.